

Te Whanau O Waipareira Trust Group

Annual report
for the year ended 30 June 2018

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Approval of annual report

In the opinion of the Trustees of Te Whanau O Waipareira Trust and subsidiaries ('the group') the financial statements and notes on pages 4 to 17:

- comply with New Zealand generally accepted accounting practice and present fairly the financial position of the group as at 30 June 2018 and the results of the group for the year ended that date;
- have been prepared using the appropriate accounting policies, which have been consistently applied and supported by reasonable judgements and estimates.

The Trustees believe that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the group and facilitate compliance of the financial statements with the Financial Reporting Act 2013.

The Trustees consider that they have taken adequate steps to safeguard the assets of the group, and to prevent and detect fraud and other irregularities. Internal control procedures are also considered to be sufficient to provide reasonable assurance as to the integrity and reliability of the financial statements.

The Trustees are pleased to present the financial statements of
Te Whanau O Waipareira Trust Group, as at and for the year ended 30 June 2018.



Trustee

Dated: 26/9/18



Trustee

Dated: 26/9/18

Statement of comprehensive revenue and expense

for the year ended 30 June 2018
in New Zealand Dollars

	Note	2018 \$	2017 \$
Revenue			
Revenue from services		32,583,633	30,752,243
Revenue from construction contract		16,989,197	4,814,219
Rent income		1,067,643	1,017,575
Other revenue		1,330,355	1,039,389
Interest revenue		231,158	172,815
Total revenues		52,201,986	37,796,241
Expenses			
Employment expenses		20,952,799	18,304,398
Construction expenses		15,096,054	4,968,195
Administration expenses		4,119,154	3,781,310
Professional expenses		2,420,132	1,635,640
Depreciation and amortisation expenses	3, 4	2,245,030	1,993,426
Operating expenses		1,427,645	1,059,373
Occupancy expenses		1,405,209	1,317,178
Interest expenses		224,123	323,459
Impairment expenses		106,181	260,436
Total expenditure		47,996,327	33,643,415
Share of (loss) of associate	13	(7,978)	(35,614)
Surplus for the year		4,197,682	4,117,212
Other comprehensive revenue and expense			
Revaluation of land and buildings	3	-	1,885,276
Revaluation of corporate bonds		110,000	39,000
Total comprehensive revenue and expense for the year		4,307,682	6,041,488



This statement is to be read in conjunction with the notes to the financial statements.

Statement of financial position

as at 30 June 2018

in New Zealand Dollars

	Note	2018 \$	2017 \$
Assets			
Cash and cash equivalents	5	13,387,923	8,240,994
Receivables & prepayments	6	4,574,012	3,391,100
Term investments	5	4,991,229	-
Property held for sale	17	-	1,100,000
Total current assets		22,953,164	12,732,094
Property, plant and equipment	3	22,846,612	22,076,788
Intangible assets	4	7,223,028	8,763,081
Investments		963,210	1,607,911
Investment property	11	1,495,652	1,495,652
Investments in associates	13	-	241,186
Total non-current assets		32,528,502	34,184,617
Total assets		55,481,666	46,916,711
Liabilities			
Accounts payable and accruals	7	4,188,320	3,025,412
Employee entitlements		1,718,577	1,441,739
Deferred revenue		952,158	597,456
Trust fund held for TPM Innovation activities	16	5,746,145	2,947,045
Bank loans	8	1,356,508	3,195,642
Total current liabilities		13,961,708	11,207,294
Bank loans	8	2,617,794	1,114,938
Total non-current liabilities		2,617,794	1,114,938
Total liabilities		16,579,502	12,322,232
Net assets		38,902,164	34,594,479
Equity			
Retained earnings		35,088,386	29,790,705
Asset revaluation reserve		3,813,775	4,803,775
Total equity		38,902,161	34,594,480



This statement is to be read in conjunction with the notes to the financial statements.

Statement of changes in equity

for the year ended 30 June 2018

in New Zealand Dollars

	Retained earnings	Asset revaluation reserve	Total
	\$	\$	\$
Balance at 1 July 2017	29,790,705	4,803,775	34,594,480
Surplus for the year	4,197,682	-	4,197,682
Other comprehensive revenue and expense			
Derecognition of reserve on sale of property	1,100,000	(1,100,000)	-
Revaluation of corporate bonds	-	110,000	110,000
Balance at 30 June 2018	35,088,386	3,813,775	38,902,161
Balance at 1 July 2016	25,673,493	2,879,499	28,552,992
Surplus for the year	4,117,212	-	4,117,212
Other comprehensive revenue and expense	-	-	-
Revaluation of land and buildings	-	1,885,276	1,885,276
Revaluation of corporate bonds	-	39,000	39,000
Balance at 30 June 2017	29,790,705	4,803,775	34,594,480



This statement is to be read in conjunction with the notes to the financial statements.

Statement of cash flows

for the year ended 30 June 2018
in New Zealand Dollars

	Note	2018 \$	2017 \$
Cash flows from operating activities			
Cash received from customers and contracts		50,862,620	36,081,322
Cash paid to suppliers		(23,267,147)	(10,604,243)
Cash paid to employees		(20,675,961)	(17,723,327)
Cash received for TPM Innovation activities		3,367,696	932,596
Cash paid for TPM Innovation activities		(568,596)	(1,313,312)
Interest paid		(224,123)	(356,975)
Net cash from operating activities	12	9,494,488	7,016,061
Cash flows from investing activities			
Interest received		231,158	172,815
Advances to shareholders and associates		-	(35,097)
Acquisition of investment property		-	(1,495,652)
Acquisition / (disposal) of business		-	(8,132,946)
Acquisition of property, plant and equipment		(253,409)	(3,157,160)
Net cash from investing activities		(22,251)	(12,648,040)
Cash flows from financing activities			
Short term investments maturing in 3 months		(1,169,619)	2,611,396
Term investments		(3,991,229)	-
Proceeds from Investments		1,002,200	-
Borrowings		(336,278)	4,310,580
Net cash from financing activities		(4,494,926)	6,921,976
Net (decrease)/increase		4,977,311	1,289,997
Opening cash and cash equivalents 1 July		8,240,994	6,950,998
Closing cash	5	13,218,304	8,240,994
Made up of:			
Bank balances		13,218,304	8,240,994
Total cash		13,218,304	8,240,994



This statement is to be read in conjunction with the notes to the financial statements.

Notes to the financial statements

1 General Overview

a Reporting Entity

Te Whanau O Waipareira Trust (the 'Trust') is a trust incorporated in New Zealand, registered under the Charities Act 2005, and is domiciled in New Zealand. The Trust, its subsidiaries and associates as set out in note 13, comprise the Te Whanau O Waipareira Group ('Group').

The primary purpose of the Group is to provide services to the West Auckland community in justice, social, education, social housing and health.

The consolidated financial statements of the Group are for the year ended 30 June 2018 and were authorised for issue by the Board of Trustees on the date specified on page 3.

b Basis of Preparation

The financial statements have been prepared under the Financial Reporting Act 2013 in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP). For the purpose of financial reporting they comply with PBE Accounting Standards Not-For-Profit as appropriate for Tier 1 reporting entities.

The Group reports in accordance with Tier 1 PBE Accounting Standards Not-For-Profit on the basis that it has reported total expenses greater than \$30 million in the last 2 consecutive periods.

The financial statements are presented in New Zealand Dollars (\$), which is the Group's functional currency and have been prepared on an accrual and historical cost basis except for:

- land and buildings which are measured at fair value except for leasehold buildings which are measured at cost
- investments in bonds which are measured at fair value

c Use of estimates and judgements

The preparation of the consolidated financial statements in conformity with PBE Accounting Standards Not-For-Profit requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods. The significant estimates and judgements made in applying accounting policies and that affect amounts recognised in the consolidated financial statements are the following:

- Land and freehold buildings: estimate of fair value, see note 3.
- Intangible assets: estimate of useful life for amortisation and impairment assessment for goodwill, see note 4.
- Business combinations: estimate of fair value of assets acquired and liabilities assumed, see note 10.
- Construction contracts: estimate of the percentage of completion and costs to complete.

d Tax

The Group is exempt from income tax due to its charitable nature. The Trust registered with the charities commission on 30 June 2008 and its registered number is CC31649. All amounts are shown exclusive of Goods and Services Tax (GST), except for receivables and payables that are stated inclusive of GST.



Notes to the financial statements (continued)

2 Accounting policies

a Consolidation

The consolidated financial statements include the Trust and its subsidiaries. Subsidiaries are entities controlled by the Group. The Group controls an entity when it has the power to govern the financial and operating policies of the entity so as to benefit from its activities. The financial statements include subsidiaries from the date on which control commences until the date on which control ceases. All significant intra-group transactions and balances are eliminated on consolidation.

The Group accounts for business combinations using the acquisition method when control is transferred to the Trust. In a business combination the consideration transferred and net assets acquired are measured at fair value. Goodwill is recognised if the consideration paid exceeds the fair value of the net assets acquired. A gain on bargain purchase is recognised in surplus or deficit if the fair value of the net assets acquired exceeds the consideration paid. Transaction costs are expensed as incurred.

b Revenue

Revenue is recognised to the extent that it is probable that the economic benefit will flow to the Trust and revenue can be reliably measured. Revenue is measured at the fair value of the consideration received. The following specific recognition criteria must be met before revenue is recognised.

Revenue from services is recognised as earned when all attaching conditions have been met. Where recognition criteria have not been met, the unearned amount is recorded as a liability under "Deferred Revenue".

Revenue and expenses from construction contracts are recognised based on the stage of completion of the contract activity at the reporting date. This includes an estimate of overall contract revenue and contract costs associated with the contract. The method used to determine the stage of completion of contracts in progress is based on progress against the fixed price scheduled of works and approved by the project manager and quantity surveyor. The developers margin is recognised as it is earned. Any expected deficit on a construction contract is recognised as an expense immediately.

Interest income is recognised using the effective interest method.

Rental income from Trust owned properties is recognised in surplus or deficit on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Rental income from subleased property is recognised as other income.

c Deferred revenue

Deferred revenue relates to revenue received in cash but that has not been earned in the accounting period, for example the services have not been performed or the conditions of the funding contract have not been met.

d Employee entitlements

Liabilities for annual leave are accrued and recognised in the statement of financial position. Annual leave is recorded at the undiscounted nominal values based on accrued entitlements at current rates of pay. Entitlements will include unpaid salary, wages or other remuneration due at balance date, including deductions held on employees' behalf, annual leave earned but not taken and long service leave to be settled within 12 months.

e Investment

Investments are predominately corporate bonds. These are recognised initially at fair value plus directly attributable transaction costs, and are classified as available for sale financial assets and the changes in fair value is recorded through other comprehensive revenue and expenses, except for impairment losses.

Notes to the financial statements (continued)

3 Property, plant and equipment

All property, plant and equipment is initially recorded at cost less accumulated depreciation, except for land and freehold buildings which are initially recorded at cost and then remeasured to fair value. Cost includes expenditure that is directly attributable to the acquisition of the items. Where an asset is acquired in a non-exchange transaction it is initially measured at its fair value. Any gain or loss on disposal is recognised in surplus or deficit. Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group. Repairs and maintenance costs are expensed.

At each balance date the carrying amounts of items of property plant and equipment are assessed to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses directly reduce the carrying amount of the assets and are recognised in surplus or deficit. The Group has reviewed property, plant and equipment for impairment and found no case of any significant impairment of their value.

Land and freehold buildings are valued on a cyclical basis every 3 years. Any gains or losses arising on the revaluation of an asset is recognised in other comprehensive revenue and expense and presented in the asset revaluation reserve within equity. The last valuation of land and freehold buildings was undertaken by an independent valuer on 30 June 2017. A range of valuation methodologies were used including the direct comparison approach, economic approach, redevelopment approach, and summation approach. The key valuation assumptions were the highest and best use of the properties and structural integrity and earthquake resistance of the buildings.

Depreciation is provided for in surplus or deficit on a straight line basis on all property, plant and equipment other than land, which is not depreciated. Depreciation rates allocate the assets' cost or valuation less estimated residual value, over its estimated useful life. Leased assets are depreciated over the shorter of the unexpired period of the lease and the estimated useful life of the assets. Major depreciation periods are:

Buildings including leasehold buildings	50 years
Plant, equipment	3 years
Motor vehicles	3-5 years

	Land (revalued)	Buildings (revalued)	Plant & equipment	Motor vehicles	Leasehold buildings	Total
30 June 2018						
Cost or valuation	\$	\$	\$	\$	\$	\$
Balance at 1 July 2017	4,479,164	4,696,895	2,488,525	1,459,920	13,115,227	26,239,731
Additions	-	973,849	541,948	97,611	-	1,613,409
Disposals	-	-	(106,404)	(43,043)	(2,515)	(151,962)
Balance at 30 June 2018	4,479,164	5,670,744	2,924,069	1,514,488	13,112,712	27,701,177
Depreciation						
Balance at 1 July 2017	-	-	(2,033,526)	(809,257)	(1,320,160)	(4,162,942)
Depreciation for the year	-	(87,505)	(308,301)	(137,854)	(271,790)	(805,450)
Disposals	-	-	92,233	21,593	-	113,827
Balance at 30 June 2018	-	(87,505)	(2,249,594)	(925,517)	(1,591,950)	(4,854,565)
Net value 30 June 2018	4,479,164	5,583,239	674,475	588,971	11,520,762	22,846,612
30 June 2017						
Cost or valuation						
Balance at 1 July 2016	2,520,993	3,297,857	2,320,279	1,407,434	13,115,227	22,661,790
Additions	649,524	2,056,535	347,950	124,971	-	3,178,980
Disposals	-	-	(179,704)	(72,484)	-	(252,188)
Current year revaluation gain	2,303,647	(552,497)	-	-	-	1,751,150
Property held for sale	(995,000)	(105,000)	-	-	-	(1,100,000)
Cost at 30 June 2017	4,479,164	4,696,895	2,488,525	1,459,921	13,115,227	26,239,732
Depreciation						
Balance at 1 July 2017	-	(73,665)	(2,022,988)	(734,436)	(1,048,370)	(3,879,459)
Depreciation for the year	-	(60,461)	(192,772)	(126,550)	(271,790)	(651,573)
Disposals	-	-	182,234	51,730	-	233,964
Reversal	-	134,126	-	-	-	134,126
Balance at 30 June 2017	-	-	(2,033,526)	(809,256)	(1,320,160)	(4,162,942)
Net value 30 June 2017	4,479,164	4,696,895	454,999	650,665	11,795,067	22,076,790

Notes to the financial statements (continued)

4 Intangible assets

Goodwill

The carrying amount of goodwill is allocated to Wai-Tech Ltd trading as Learning Post. The goodwill arose during the year ended 30 June 2009, when Wai-Tech Ltd acquired Learning Post Ltd. Subsequently in 2011, the Tertiary Education Commission (TEC) ceased funding of certain Learning Post education programmes which resulted in impairment. In December 2011, Learning Post gained accreditation of Whanau Ora Diploma which is still being delivered as an education programme.

Acquired intangible assets

Purchased intangible assets are recorded at cost and amortised on a straight-line basis over their estimated life of 7.5 years. The cost of an intangible asset acquired in a business combination is the fair value at the acquisition date. Acquired intangible assets are able to be recognised if they are separable and able to be sold or arise from contractual legal rights.

Internally generated

Self-developed intangible assets relate to the development costs for both Whanau Tahi intellectual property solution and Whanau Ora Diploma.

- The development cost of the Whanau Tahi intellectual property solution includes software development, systems and process design. It is amortised over 7.5 years.

- The development cost of the Whanau Ora Diploma includes course development, assessment development, and associated QMS required to obtain accreditation from NZQA. It was amortised over 10 years. Due to the restructure of Whanau Ora Diploma this year, it was written off last year.

Impairment

At each reporting date, the Trust reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment. If any such indication exists, the assets recoverable amount is estimated. An impairment loss is recognised in surplus or deficit if the carrying amount of an asset exceeds its recoverable amount.

The Group has identified an indicator of impairment in the carrying value of its goodwill in the Learning Post. Accordingly the recoverable amount has been calculated using the value in use method and discounted cash flow analysis for Wai Tech Ltd's cash generating unit (CGU) to which goodwill has been allocated to. Impairment required for 2018 was \$100,471 (2017: nil).

30 June 2018	Goodwill	Acquired intangibles	Internally generated	Total
Cost or valuation	\$	\$	\$	\$
Opening Balance at 1 July 2017	2,942,325	8,992,404	2,023,394	13,958,123
Additions	-	-	-	-
Balance at 30 June 2018	2,942,325	8,992,404	2,023,394	13,958,123
Amortisation and impairment losses				
Opening Balance at 1 July 2017	(2,676,324)	(1,205,416)	(1,313,302)	(5,195,042)
Amortisation for the year	-	(1,169,796)	(269,786)	(1,439,582)
Impairment	(100,471)	-	-	(100,471)
Balance at 30 June 2018	(2,776,795)	(2,375,212)	(1,583,088)	(6,735,095)
Carrying amounts at 30 June 2018	165,530	6,617,192	440,306	7,223,028
30 June 2017				
Cost or valuation				
Opening Balance at 1 July 2016	2,942,325	520,540	2,018,394	5,481,259
Additions	-	8,471,864	5,000	8,476,864
Balance at 30 June 2017	2,942,325	8,992,404	2,023,394	13,958,123
Amortisation and impairment losses				
Opening Balance at 1 July 2016	(2,676,324)	(169,046)	(861,091)	(3,706,461)
Amortisation for the year	-	(1,035,450)	(347,666)	(1,383,116)
Impairment	-	(920)	(104,545)	(105,465)
Balance at 30 June 2017	(2,676,324)	(1,205,416)	(1,313,302)	(5,195,042)
Carrying amounts at 30 June 2017	266,001	7,786,988	710,092	8,763,081



Notes to the financial statements (continued)

5 Cash and cash equivalents

Cash comprises cash at bank, cash on hand and short term deposits with a maturity of three months or less. Term investments are deposits held for terms greater than three months and less than 1 year.

Contained within the Group's cash balance is \$6,251,299 (2017: \$3,068,688) which the Group received from a related party, Te Pou Matakana Ltd. These funds are being managed by the Trust to advance the interest of Urban Maori Authorities. The balance is recorded as funds held for TPM Innovation Activities.

To meet the requirements of NZQA, Wai Tech Ltd trading as Learning Post guarantees to hold \$150,000 (2017: \$150,000) in favour of John Kahukiwa at Corban Revell for student fee protection purposes. The amount is included in cash and is under the name of Wai Tech Ltd.

Grove Darlow & Partners provided a bond required by the development contract between Housing NZ and Housing for Social Benefit Limited. The risk was offset by a term deposit of \$2,743,188 (2017: Nil) placed and held in Grove Darlow & Partners trust account. The amount is included in the short term deposits.

6 Receivables and prepayments

Accounts receivable are recognised and carried at original invoice amount less any allowance for any uncollectable amounts. Individually impaired accounts receivable relate to customers for whom there is objective evidence of inability to pay, for example the appointment of a receiver or a formal approach to compromise with creditors. Generally, no collateral is held for normal accounts receivable. Accounts receivable is a financial asset classified as loans and receivables.

	2018 \$	2017 \$
Accounts receivable	2,277,296	2,101,078
Receivables from construction contracts	1,951,828	962,433
Prepayments	344,888	327,589
Total	4,574,012	3,391,100

7 Accounts payable and accruals

Accounts payable and accruals represent liabilities for goods and services provided to the Group and which have not been paid at the end of the financial year. These amounts are usually settled within 30 days. Accounts payable and accruals are classified as other liabilities and measured at amortised cost.

	2018 \$	2017 \$
Trade payables	930,121	973,004
Payables for construction contracts	1,817,182	1,222,266
GST payable, sundry payables and accruals	1,441,020	830,142
Total	4,188,323	3,025,412

8 Bank loans

	2018 \$	2017 \$
Current portion of secured bank loans	1,356,508	3,195,642
Non-current portion of secured bank loans	2,617,794	1,114,938
	3,974,302	4,310,580

The terms and conditions are as follows.

	Nominal interest rate	Year of maturity	Face value	Carrying amount
Secured bank loan from ASB	5.03%	2027	3,100,000	2,853,549
Secured bank loan from ASB	6.30%	2020	1,210,753	1,120,753

The ASB loan borrowed by Whanau Tahi Ltd of \$1,120,753 was repaid in full on 2nd July 2018. The bank loans are secured over certain land and buildings, a limited guarantee and indemnity of \$3,200,000 and all the assets and undertaking from Whanau Tahi Ltd.

Notes to the financial statements (continued)

9 Financial instruments

a) Financial assets and liabilities

The Trust is party to financial instruments as part of its normal operations. These financial instruments include bank accounts, receivables, payables and investments. All financial instruments are recognised in the Statement of Financial Position and all revenue and expenses in relation to financial instruments are recognised in the Statement of Comprehensive Revenue and Expenses.

b) Financial risk management

(i) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Trust has exposure to market risk of the value of its short term investments which are predominantly in term deposits. The objective of the Trust's market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

(ii) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party, by failing to discharge an obligation. The Trust is mainly exposed to credit risk from its financial assets and the maximum exposure to credit risk at balance date is represented by the total amount of financial assets in the statement of financial position.

The Trust has the following concentrations of credit risk:

- * Cash and cash equivalents are all held with New Zealand banks.
- * Receivables includes significant balances from Housing New Zealand and the Waitemata District Health Board.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Reputable financial institutions are used for investing and cash handling purposes. The Trust does not require collateral or other security to support financial instruments with credit risk. For all financial liabilities, their carrying value represents fair value.

(iii) Liquidity risk

Liquidity risk is the risk that the Trust will have difficulty with meeting the obligations associated with its financial liabilities. The Trust's approach is to ensure that it has sufficient liquidity to meet its liabilities when they are due. This is done by ensuring the Trust has cash available and that its cash inflows are in excess of expected cash outflows on financial liabilities. The exposure to liquidity risk relates to accounts payable which are due within 30 or 60 days and the repayment of bank loans.

(iv) Interest rate risk

The risk is that the fair value or future cash flows of a financial instrument, will fluctuate because of changes in the market interest rates. The Trust's assets and liabilities which are subject to interest rate risk include cash and short term investments. A sensitivity analysis has shown that the impact of a 1% change in interest rates does not have a material impact on the Trust.

c) Capital management

The Trust's capital is its equity, which comprises accumulated funds and various reserves, and is represented by net assets. The Trust manages its equity by prudently managing its revenues, expenses, assets, liabilities, investments and general financial dealings to ensure that the Trust achieves its objectives and purpose, while remaining a going concern.



Notes to the financial statements (continued)

10 Business combination

There were no business combinations during the year ended 30 June 2018. In the prior year on 1 August 2016, a 100% owned Group subsidiary Whanau Tahi Ltd acquired the net assets of Simpl Health Solution Ltd and MBBO Holdings Ltd. The primary reason for the acquisition was to expand the Groups consultancy capability. The fair value of the consideration transferred was \$8,132,946 and this was settled in cash. The consideration paid equated to the fair value of identifiable net assets acquired and accordingly no goodwill or bargain purchase was recognised during this business combination. Acquisition related costs of \$300,544 were recognised in surplus or deficit. The valuation methodology was a market approach using a EBITDA multiple reflecting the size, growth potential and other characteristics of the acquired assets. The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition:

Assets acquired	\$
Fixed assets	28,136
Intangible assets	8,471,864
Prepayments	91,239
Liabilities assumed	
Deferred revenue	(329,812)
Holiday pay	(90,148)
Accrued wages and bonus	(39,333)
Net assets	<u>8,131,946</u>

11 Investment property

Investment properties are held to obtain a commercial return, such as from lease or capital appreciation. These are initially measured at cost, including transaction costs. Land is not depreciated and buildings are depreciated over their economic useful life. The carrying value is assessed for indicators of impairment on an annual basis. Investment properties are derecognised when they have been disposed and the difference between the net disposal proceeds and the carrying amount of the asset is recognised in the surplus or deficit in the period.

	2018	2017
	\$	\$
Balance at 1 July	1,495,652	-
Acquisitions		1,495,652
Balance at 30 June	<u>1,495,652</u>	<u>1,495,652</u>

Investment property comprises land held for capital appreciation.

12 Reconciliation of operating surplus with net cash from operating activities

	2018	2017
	\$	\$
Surplus/(deficit) for the year	4,197,682	4,117,212
Less: Non-operating Income	(231,158)	(172,815)
<i>Non-cash items</i>		
Depreciation and amortisation	2,245,030	1,993,426
Impairment	106,181	260,436
Revaluation and reinvestment in investments	(272,023)	-
Loss/(profit) on sale of property, plant and equipment	38,137	(235,537)
<i>Working capital movements:</i>		
Accounts receivable, prepayments and other assets	(1,182,912)	(930,991)
Accounts payable, accruals and other liabilities	1,794,452	2,365,046
Trust fund held for TPM Innovation activities	2,799,100	(380,716)
Cash generated from operating activities	<u>9,494,489</u>	<u>7,016,061</u>



Notes to the financial statements (continued)

13 Investments in subsidiaries and associates

Subsidiaries

Details of the Trust's subsidiaries at 30 June 2018 are as follows:

	Percentage held		Balance date	Activity
	2018	2017		
Wai Health Limited	100%	100%	30-Jun	Health Service
Wai Tech Limited	100%	100%	30-Jun	Education Service
Housing for Social Benefits Limited	100%	100%	30-Jun	Social Housing
Te Pou Matakana Tuararo Limited	100%	100%	30-Jun	Shared Services
Waipareira Investments Limited	100%	100%	30-Jun	Shared Services Investments
Whanau Tahī Limited	100%	100%	30-Jun	IT & Consultancy Services

Associates

The associate companies are companies in which the Group holds substantial shareholdings and participates in commercial and financial policy decisions. Associate companies have been reflected in the consolidated financial statements on an equity accounting basis, which is initially recognised at cost and subsequently showing the Group's share of retained surpluses or losses in the consolidated Statement of Comprehensive Revenue and Expenses, and its share of post-acquisition increases or decreases in net assets in the consolidated Statement of Financial Position. All associates are incorporated in New Zealand and the financial statements for equity accounting have 30 June balance dates.

UMA Broadcasting Ltd (UMA) holds and operates radio licenses including those for Radio Waatea and George FM. In preparation of the financial statements of the Group for 2018, the unaudited management accounts of UMA Broadcasting Ltd have been used. Adjustments are made for any change arising from UMA Broadcasting Ltd's prior year audited accounts.

Hapai Te Hauora Tapui Ltd (Hapai) provides Maori health services throughout the Auckland region. In preparation of the financial statements of the Group for 2018, the audited financial statements of Hapai Te Hauora Tapui Ltd have been used.

	Assets	Liabilities	Revenue	Surplus /(Deficit)	Ownership	Carrying Amount	Share of Surplus /(Loss)
	\$	\$	\$	\$	%	\$	\$
2018							
UMA	523,540	203,384	1,875,728	(21,622)	50%	160,136	(10,811)
Hapai	848,819	629,701	2,740,749	8,501	33%	73,072	2,833
						<u>233,208</u>	<u>(7,978)</u>
2017							
UMA	496,370	154,592	1,804,430	34,959	50%	170,947	17,480
Hapai	837,569	626,952	2,465,126	(159,281)	33%	70,239	(53,094)
						<u>241,186</u>	<u>(35,614)</u>

There are no significant restrictions on the ability of any subsidiary or associate to pay dividends, repay loans or otherwise transfer funds to the parent trust.

14 Expenses

	2018	2017
	\$	\$
Research and development expenditure	627,536	277,750
<i>Included in operating costs are fees paid to the auditor for:</i>		
Audit remuneration	93,600	72,812
Other assurance services	7,500	7,000
Advisory services	2,000	18,000



Notes to the financial statements (continued)

15 Related parties

a) Key management personnel

Key management personnel include the Board of Trustees and senior management personnel, which includes the Chief Executive Officer, Chief Financial Officer, Chief Information Officer, Director of Whanau Tahī, Chief Operation Officer of Whanau Tahī, Director of Wai-support and Kaiwhakahaere of different business units and other controlled entities, as well as the trustees.

	2018		2017	
Remuneration and benefits:	# of personnel	\$	# of personnel	\$
Trustees	11	437,319	11	446,897
Senior Management	9	3,253,051	8	2,273,278
		<u>3,690,370</u>		<u>2,720,175</u>

b) Related party transactions and balances

	Transaction		Balances	
	From	To	Due from	Owed to
30 June 2018	\$	\$	\$	\$
Te Pou Matakana Ltd	19,532,449	10,146	122,286	9,667
National Urban Maori Authority	1,328,788	-	969	-
Hapai Te Hauora Tapui Ltd	391,552	-	32,186	-
UMA Broadcasting Ltd	20,000	-	3,833	-
30 June 2017				
Te Pou Matakana Ltd	14,506,590	39,019	21,968	-
National Urban Maori Authority	1,072,532	-	-	-
Hapai Te Hauora Tapui Ltd	555,723	4,500	93,711	-
UMA Broadcasting Ltd	20,000	-	3,833	-

The nature of the Trust's related party relationship with Te Pou Matakana (the company) is the use of a common Chief Executive and the Trust is a minority shareholder in the company. The types of transactions with the company include:

	2018	2017
	\$	\$
- Whanau Ora commissioning funding	9,014,760	7,346,454
- Management fees	4,500,000	4,500,000
- Innovation funding	3,367,696	810,953
- Research and evaluation funding	1,650,000	1,200,000
- IT licences and support	260,900	139,000
- Contracting services	494,350	290,250
- Operating funding	244,743	219,933
	<u>19,532,449</u>	<u>14,506,590</u>

National Urban Maori Authority (NUMA) is a related party because the Trust is a member of the organisation, provides back-office support and the Trust's Chief Executive also acts as the Managing Director of NUMA. Additionally the National Urban Maori Authority subcontracts the Trust to deliver services under its Truancy and Kaiarahi contracts.

Hapai Te Hauora Tapui Ltd is an associate and sub-contracted out various components of their funding contracts to Te Whanau O Waipareira Trust because the company has no clinical capacity to deliver all the services required under those contracts. The Trust also provides back-office support for Hapai Te Hauora Tapui Ltd.

UMA Broadcasting Ltd is an associate and Te Whanau O Waipareira Trust charged fees in the amount of \$20,000 under the terms of the radio frequency lease arrangement between the two parties (2017: \$20,000).

No related party debts have been written off or provided as doubtful debts in 2018 (2017: nil).



Notes to the financial statements (continued)

16 Funds held for innovation activities

The Group manages certain funding on behalf of Te Pou Matakana Ltd and has an obligation to use these funds for specific purposes and activities. The funds are received in cash but are held in separate bank accounts to general Trust funds. These are initially recognised as liabilities and subsequently recognised in both revenue and expenses when utilised.

	2018	2017
	\$	\$
Opening balance	2,947,045	2,566,329
Funds received	3,367,696	932,596
Funds dispersed	(568,596)	(1,313,312)
Closing balance	<u>5,746,145</u>	<u>2,947,045</u>

17 Property held for sale

Property is classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use. This property is measured at the lower of carrying amount and fair value less costs to sell. Impairment deficits on initial classification as held-for-sale and subsequent gains and losses on re-measurement are recognised in surplus or deficit. Once classified as held-for-sale, buildings are no longer depreciated.

In the prior year the Group had a property classified as held for sale. A gain on sale of \$260,000 has been recognised in other income. This property was sold during the current financial year.

18 Commitments and contingencies

Operating lease commitments:

	2018	2017
	\$	\$
Less than one year	509,943	470,814
Between 1 and 5 years	1,544,929	1,404,680
More than 5 years	4,922,500	5,252,500
Total operating lease commitments	<u>6,977,372</u>	<u>7,127,994</u>

The Trust has a perpetual lease on land and buildings, with rights of renewal every 3 years and have normal provisions for periodic rent reviews to market rates.

The Trust also has one operating lease commitment relating to the rental of the office space in Wellington which includes one right of renewal in October 2020.

The lease expense recognised during the year amounted to \$510,361 (2017: \$626,845).

The Trust photocopiers are all volume based with a commitment until 30 September 2020.

No operating leases impose any restrictions on the Trust's ability to raise debt or enter into further leases.

The trustees are not aware of any other claims against the group or any other contingent liabilities as at the date of approving these financial statements.

19 Subsequent events

There are no subsequent events.



Independent Auditor's Report

To the trustees of Te Whanau O Waipareira Trust

Report on the consolidated financial statements

Opinion

In our opinion, the accompanying consolidated financial statements of Te Whanau O Waipareira Trust (the trust) and its subsidiaries (the group) on pages 4 to 17:

- i. present fairly in all material respects the Group's financial position as at 30 June 2018 and its financial performance and cash flows for the year ended on that date; and
- ii. comply with Public Benefit Entity Standards (Not For Profit).

We have audited the accompanying consolidated financial statements which comprise:

- the consolidated statement of financial position as at 30 June 2018;
- the consolidated statements of comprehensive revenue and expenses, changes in equity and cash flows for the year then ended; and
- notes, including a summary of significant accounting policies and other explanatory information.



Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ('ISAs (NZ)'). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the group in accordance with Professional and Ethical Standard 1 (Revised) Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our responsibilities under ISAs (NZ) are further described in the auditor's responsibilities for the audit of the consolidated financial statements section of our report.

Our firm has also provided other services to the group in relation to certain advisory and other assurance services. Subject to certain restrictions, partners and employees of our firm may also deal with the group on normal terms within the ordinary course of activities of the group. These matters have not impaired our independence as auditor of the group. The firm has no other relationship with, or interest in, the group.



Other information

The directors on behalf of the Trust, are responsible for the other information included in the entity's annual report. Our opinion on the financial statements does not cover any other information and we not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report the fact. We have nothing to report in this regard.



Use of this independent auditor's report

This independent auditor's report is made solely to the trustees as a body. Our audit work has been undertaken so that we might state to the trustees those matters we are required to state to them in the independent auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the trustees as a body for our audit work, this independent auditor's report, or any of the opinions we have formed.



Responsibilities of the Trustees for the consolidated financial statements

The Trustees, on behalf of the trust, are responsible for:

- the preparation and fair presentation of the consolidated financial statements in accordance with generally accepted accounting practice in New Zealand (being Public Benefit Entity Standards (Not For Profit));
- implementing necessary internal control to enable the preparation of a consolidated set of financial statements that is fairly presented and free from material misstatement, whether due to fraud or error; and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.



Auditor's responsibilities for the audit of the consolidated financial statements

Our objective is:

- to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error; and
- to issue an independent auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs NZ will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of these consolidated financial statements is located at the External Reporting Board (XRB) website at:

<http://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-7/>

This description forms part of our independent auditor's report.



KPMG

Auckland

26 September 2018